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PUBLIC UTILITY COMMISSION
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APPLICATION OF CITY OF HEATH § BEFORE THE STATE OFFICE
TO AMEND A CERTIFICATE OF § OF
CONVENIENCE AND NECESSITY § ADMINISTRATIVE HEARINGS
AND TO DECERTIFY A PORTION OF §
FORNEY LAKE WATER SUPPLY §
CORPORATION'S SERVICE AREA IN §
ROCKWALL COUNT §

CITY OF HEATH'S STATUS REPORT

TO THE HONORABLE JUDGE SARAH G. RAMOS:

COMES NOW the City of Heath ("Heath") and files this status report as required by Order No. 3, and in support thereof will show the following:

The City of Heath and Forney Lake Water Supply Corporation continue to make progress in memorializing an agreement pursuant to Texas Water Code § 13.255. Forney Lake's agreement on compensation was subject to its ability to reduce its take or pay obligation under its contract with North Texas Municipal Water District ("NTMWD") by an amount commensurate with the number of customers to be transferred to Heath. Following notification from Forney Lake's counsel that NTMWD was agreeable to this reduction if another water provider would accept an assignment of this portion of Forney Lake's take or pay obligation, Heath and its water provider, the City of Rockwall, drafted and executed an agreement that includes Rockwall accepting the assignment of that portion of Forney Lake's take-or-pay obligation to NTMWD associated with the transfer of the 839 Forney Lake customers within Heath's corporate limits.

On November 23, 2016 Heath provided Forney Lake a draft of the Texas Water Code § 13.255(a) agreement concerning the transfer of Forney Lake's CCN, customers, facilities, and easements inside the corporate limits of Heath. On February 24, 2017 Forney Lake provided Heath its first mark-up of the draft agreement. Forney Lake's markup failed to provide the attachments needed to describe its personal property and easements that are being conveyed as requested by Heath on November 23, 2016. Forney Lake's markup also added a condition precedent to closing on the transaction suggesting that further action to modify its take or pay agreement with NTMWD may be required.

Heath contacted Forney Lake's counsel by email on February 24 and March 4 requesting clarification on these two issues. On March 27, counsel for Forney Lake advised that he is in discussions with counsel for NTMWD about reducing to writing their agreement concerning the reduction of Forney Lake's take or pay obligation. The completion of this agreement coupled

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with the information from Forney Lake providing a legal description of its property to be conveyed should allow Heath and Forney Lake to finalize their §13.255 agreement. In order to facilitate completion of the written agreement between NTMWD and Forney Lake concerning partial assignment of Forney Lake's take or pay obligation, Heath has provided NTMWD its amended water supply agreement with Rockwall by which Rockwall has agreed to accept the assignment. Heath has also renewed its request that Forney Lake provide the information needed to convey its easements and personal property.

Respectfully submitted,



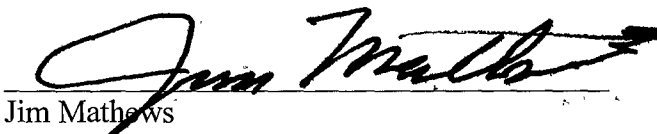
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CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of this City of Heath's Status Report was served on all parties of record in this proceeding on this 28th day of April, 2017, by hand-delivery, facsimile, electronic mail, and/or First Class Mail.

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